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relatively few changes to make it conform to the present conditions. It needs a provision for elasticity in the note circulation, involving the abandonment of bond security. Uniformity it already has, and this would not be impaired if State banks submitting to the requirements of the federal law were allowed in the system. The necessary centralization could well be made secure and perfected by a legal recognition of the New York Clearing House as the guardian of the gold reserve, together with some degree of active participation by the Comptroller of the Currency in the work of the Clearing House. This latter change would tend better to keep the banks cognizant of their public duty, and to maintain the necessary connection between the government's finances and the business of the country. All of these changes would be the natural outgrowth of our experience. We want, not to tear down, but simply to make strong where we have found weakness, the system which we have, and which accords with our economic and political ideals. For procedure on this principle the German government have just afforded us an object-lesson in their new banking law.

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## BRITISH TAXATION: IMPERIAL AND LOCAL.\*

During the last few years there has been a lively discussion in Great Britain as to the relation between national and local taxation, in consequence, to a large extent, of the considerable changes effected by recent legislation. It is only within the last twelve years that the machinery of local government has received its present form. The act establishing county councils in England came in 1889, and was followed by the creation of county councils in Scotland a year later. Parish

\* *Memoranda, chiefly relating to the Classification and Incidence of Imperial and Local Taxes.* (*Royal Commission on Local Taxation.*) London, Eyre & Spottiswoode, 1899. Folio, 250 pages. Price 2s. Parliamentary Blue Book, No. C.-9528.

councils were called into existence throughout England and Wales in 1894. In 1898 Irish local government was entirely reorganized, and placed for the first time on a democratic and representative basis. Only last year London government received what is likely to remain its permanent shape by an act which has not yet come into operation. These administrative changes have had financial aspects. The act establishing English county councils allotted several million pounds annually from national funds to local governing bodies; and the general tendency has been for local bodies to have assigned to them new duties to carry out and new burdens to bear, while to balance these the central government has given more and more assistance to local authorities by way of grants in aid.

Meanwhile the rates — *i.e.*, the local taxes, which are assessed on the annual value of houses, lands, and immovable property at so much in the pound — have been steadily increasing for half a century. In the United Kingdom the rates are almost the sole sources of local revenue, other than the grants already mentioned from the central exchequer. They are collected from the occupiers, the owners of property making no direct contribution. The history of rates in England is a long and obscure one. Originally, it would seem, rates were a personal assessment on the parishioners, who were taxed according to their several abilities to pay; but by a slow process, lasting into the nineteenth century, rates came to be levied only on real — or, rather, immovable — property. Personal property was definitely exempted in 1840 from paying rates by an act of Parliament, which, being in form a merely temporary measure, has still to be renewed annually by the Expiring Laws Continuance Bill. It has never ceased to be urged in certain quarters that personal property ought to contribute towards local taxation. On the other side, it is contended that personal property ultimately pays enough or even too much, since the contributions to local authorities from national funds are chiefly derived from personal property. This is one element in the present problem.

The other element is that the amount spent by the local authorities has greatly increased and is becoming increasingly

burdensome. Although the contributions from the State to the localities have been largely augmented in recent years, and although the value of property on which the rates are levied has risen enormously, yet in spite of all this the burden of the rates has grown heavier. In the rural districts, it is true, rates have been decreasing for forty years; but in the towns and urban districts they have increased to a far greater extent. The causes of this increase have to be sought partly in the Education and Public Health Acts and similar legislation, partly in the growth of industrial population and in the town improvements and other public works which it has rendered necessary, and partly, though to lesser extent, in the better provision which is now made for paupers and other dependent classes.

Moreover, English local taxation has been indirectly affected by the fact that, since the country finally accepted free trade, the value and importance of English agriculture have notably declined. Much agricultural property now lets at less than half its former value. The tendency is everywhere to turn arable land into pasture: some land has gone out of cultivation. This change has been very marked during the last twenty years, owing to the immense development of steam merchant-shipping and the opening of new corn and cattle regions in America, Australia, and the East. Thus the income from landed estates in England, so far as that income is dependent on agriculture, has much diminished. But there has always been a majority in the British Parliament drawn from the landed class, and party and sectional divisions have seldom been strong enough to break down the united front which the land-owners have maintained against the other interests. As a result, the agricultural land of England has been repeatedly favored by partial exemption from taxation. And now, not content with this, the land-owning party is actually attempting to get the whole system and basis of English local taxation changed, in order to relieve the land-owners from a taxation which they deem excessive and unjust.

The power and activity of "the Country Party," as this landed interest is called, is one of the most remarkable facts of British politics at the present time. It explains many things. Thus it has led to the exclusion of the agricultural laborers

from all benefits under the recent legislation giving compensation for injuries to workmen. Though this law is avowedly the carrying out of Mr. Chamberlain's demand for "compensation to every laborer for every injury," and though Mr. Chamberlain has always regarded himself as the tribune of the agricultural laborer, yet the rural laborer is expressly excluded from all benefit of this statute. The activity of "the Country Party" has been greatly increased since the passing of the only great measure, affecting their interests, which has been carried in spite of them; namely, Sir William Harcourt's Finance Act of 1894, by which the death duties on land and other property were equalized and increased. Their defeat on this occasion has furnished them with an argument for further demands on the treasury; and, favored for the last four and a half years by a friendly government, they have succeeded in getting an act passed which relieves agricultural land of half the rates upon it. Their old contention — that personal property should bear more of the burdens of local taxes — has been pressed upon the attention of the ministry with such effect that the present government has recently appointed a Royal Commission on Local Taxation, and has instructed it "to inquire into the present system under which taxation is raised for local purposes, and report whether all kinds of real and personal property contribute equitably to such taxation; and, if not, what alterations in the law are desirable, in order to secure that result." This Royal Commission has been interpreting the question referred to it in a liberal spirit, and has already published two reports on aspects of local taxation only remotely connected with the prime question submitted to it. The present volume is another outcome of the Royal Commission. It contains a Memorandum by Sir Edward Hamilton, of the Treasury, on the Imperial Relief of Local Burdens and on the System of Imperial and Local Taxation. This is followed by the answers of a number of "financial and economic experts," to each of whom a series of questions, fifteen in number, were submitted by the Commission.

In the Memorandum of Sir E. Hamilton, which begins with an account of the various changes which local taxation in England has experienced since 1834, we find, first, a full description

of the present system of local finance, and, then, an attempt to define and classify taxes. The chapters on these subjects are followed by three others on English taxation in the light of the proposed classification; and there is a chapter of concluding remarks. Here, then, from the pen of a very high official, the Chief Permanent Secretary of the Treasury, we have a complete account of the English system of local taxation as it exists to-day. Placed by the side of Mr. Goschen's famous *Return on the Increase of Local Taxation*, in 1870, and Mr. Fowler's *Return on Local Taxation*, in 1893, this Memorandum completes a trilogy of blue books, which will remain classic works in English Finance.

From an academic point of view the answers to the questions by the sixteen financial and economic experts are of even greater interest. These experts include distinguished civil servants (Lord Farrer, since deceased, and Sir Robert Giffen), a distinguished statesman (the Rt. Hon. L. Courtney, M.P.), university professors (Professors Sidgwick, Marshall, Edgeworth, Bastable, and Gonner), and eight others. The student of economics has here the pleasure of seeing how the professors reply to examination questions; and by comparing their answers on any point (which is easy to do with the Comparative Reference Table on p. 5) the student has an opportunity to discover how widely experts and professors may differ.

The first of these questions refer to a certain tabular Classification of English Imperial Taxation, which was drawn up by Sir Alfred Milner a few years ago for the Royal Commission on Agricultural Depression. It is now revived to receive the criticisms of the experts. Mr. Courtney objects to it as "proceeding upon an entirely wrong method" (p. 85); while Professor Marshall declares that all such tables, "when taken as a basis for a scheme of finance, suggest wrong inferences." Sir Alfred Milner's classification had been attempted with the hope that it might contribute to a decision as to the relative incidence of taxation on personal and real property. By the side of the list of taxes, it places two main columns of figures, the first setting forth the amounts of the Taxes incidental to Ownership, Occupation, or Transfer of Property, and the second the amounts of Taxes not incidental to Property. The

table is interesting as showing the taxation of the country at a glance, as well as for the attempt to determine to what extent the income tax and other impositions fall upon property, and for its statistical results; but it does not really teach us who the persons are who bear the ultimate weight of the taxation. This the experts are not slow to point out.

The next three questions addressed to the experts are more pertinent, and deal with the equity of taxes and their incidence. Many arguments and discussions are here to be found, applicable to the present problems of English taxation, and important for any consideration of fiscal policy. For example, the principle is well illustrated that "the best way of answering the question upon whom rests the ultimate incidence of a tax is to be found in pursuing an investigation as to who would be benefited if the tax were abolished" (Mr. Courtney, p. 86). Again, take the question, "Could you state your views as to the real incidence of the death duties?" On this clear issue we may collect a variety of views. Mr. Courtney, whose authority in English political and academic circles is not likely to be realized by those who are not aware of his experience and his intellectual and moral power, says, "The heir . . . is evidently the primary loser, . . . and he must remain so" (p. 88). Professor Sidgwick, on the other hand, holds "that in this case even the primary incidence is not clear. When property is taken *in transitu* from the dead to the living, the burden of loss may be borne according to circumstances: (1) by the heirs; (2) by persons who do not receive legacies which would otherwise have been left them; or (3) by the deceased proprietors" (p. 105). Professor Marshall gives some remarks which are not a direct reply to the question, since we must gather his view from such a sentence as that "the fact that death duties seem less inequitable, and to press less hardly on any one, than other taxes of equal intensity, suggests that they may still affect savings much as our forefathers thought they did" (p. 123). While Professor Bastable, whose writings on Public Finance have led him to be considered in England as a standard authority on these matters, maintains "the old doctrine that death duties fall finally, as well as immediately, on the payer, bearing in mind, of course, the remote possibility

that they may be paid out of capital, and thus reduce the accumulated wealth of the country, raise interest, and lower wages" (p. 142). *Tot homines, tot sententiae!*

Questions 7 to 10 refer to the particular problems of local taxation in England at the present time; questions 7 and 8 to the very complicated system under which the central government assists the localities. The central authorities issue three million licenses of nearly forty kinds. The sums paid for these are handed over to the local authorities, the amount thus passing approaching £4,000,000 sterling. On the other hand, there are nearly thirty different objects of local expenditure in England, though fewer in Scotland or Ireland, for which the central government pays in whole or in part, but leaves the administration to the localities. These are set out in detail on pages 56, ff. Question 9 asks whether local rates should be divided between owners and occupiers. This is already done in Scotland and Ireland; and the great weight of opinion in the country, in Parliament, and among these experts, favors the division. It is due to the power of "the Country Party" in the House of Commons that the division has not been introduced. Question 10 asks whether ground values should be separately rated for local purposes. It is most significant that this measure, which but a short time ago was proposed only by "radical land reformers," is now asked for by the great municipal corporations (like Glasgow) and supported by high expert authority. For we find that of the fourteen experts who reply to the question, eight favor the taxation of ground values, while six are opposed to it; but several of the latter express their approval or disapproval under such reservations that we find only three are emphatically against the proposal. The remarks on this matter made by Professor Marshall and others are affording the material of a press and platform campaign in favor of what may prove the next important change in the finance of English local government.

Questions 11 to 13 are connected with the effects of rates upon rents. Their presence here is due, no doubt, to the tenderness felt by Parliament and by this Royal Commission towards those whose income reaches them in the form of rent.

The last two questions of the list are the 14th, which asks



what methods of raising local revenues otherwise than by rates are possible; and the 15th, which offers the experts an opportunity to state any considerations on the subject which have not fallen within the scope of their earlier answers. The question about other possible sources of revenue brings out some interesting suggestions. One is that different experiments might be tried in different localities; another, that octrois are possibly suitable for adoption in England; another, that taxes on advertisements, amusements, horses, vans, and wheels, should be tried, and so on. The only proposal in this connection that is supported by as many as five of the experts is that the Inhabited House Duty should be transferred from the central government to the localities. This change has been advocated for thirty years. The reason why no government has yet tried to effect it is that the Conservatives have not been attracted until recently towards measures likely to benefit the towns more than the country districts, while the Liberals do not care to make a change which would benefit the rich districts in the towns more than the poor. The Inhabited House Duty, it will be recalled, is not levied on dwellings below £20 annual value, and is graduated up to £60 annual value.

Taking this volume as a whole, it is a blue book of singular interest. It contains a history of a very important side of English administration and finance during the whole of the nineteenth century, and a discussion from several points of view and by well-known writers and authorities of the present-day problems of English taxation and the changes that might be proposed in it. It furnishes the materials, also, for comparing the opinions and methods of reasoning of economic theorists, when they are brought face to face with problems of government. For many years to come it will have a leading place among financial books of reference.

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LONDON.